

The Single Euro Payments Area: Demands and Expectations

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Ladies and gentlemen,

The speakers before me, Mr. Ackermann and State Secretary Koch-Weser, outlined the basic activities and aims of the Initiative Finanzstandort Deutschland (IFD). I am pleased to be able to follow up their remarks by reporting on the progress made to date in a large-scale project to reshape the European payments sector that is also at the top of the IFD's agenda. This project is the creation of the Single Euro Payments Area, or SEPA, for short.

The launch of the single currency, the euro, was a further major step towards financial market integration in Europe.

Understandably, this quickly led to calls at political level for a Single Euro Payments Area to make cross-border payments in euros just as simple, cost-efficient and safe as national payments are today. This Single Euro Payments Area is therefore another important building block for the single European financial market.

As Europe's banks are convinced of the need for the single financial market, the European banking sector set up the European Payments Council (EPC) in Brussels in 2002. The EPC's aim is to create the conditions to gradually make the Single Euro Payments Area a reality from 2008 onwards.

This undertaking, which means ensuring that the more than 6,000 banks in Europe speak with one voice on payment issues, shows the European banking industry's clear commitment to creating the Single Euro Payments Area. It should not be forgotten that the European Commission would otherwise probably have adopted administrative measures to achieve this target. Any approach imposed by regulatory or administrative measures would, however, have had negative consequences for all concerned, whether politicians or banks. This was made clear by, for example, the EU Pricing Regulation of 2001

(establishing equality of charges between national and cross-border payments), whose impact is still occupying many banks today. Since being set up, the EPC has already passed a number of resolutions on cross-border payments – take credit transfers, for instance. These resolutions are implemented on a self-regulatory basis by the ever larger number of member banks.

This shows that the process of gradual standardisation in Europe is already underway and is being actively promoted.

In December 2004, the EPC defined further important milestones on the way to the Single Euro Payments Area by adopting the SEPA roadmap.

And this year the EPC will deliver the two new pan-Euro payment schemes for electronic credit transfer and for direct debit and a framework for the SEPA debit card. On the basis of these schemes, European banks will make the new pan-European payment instruments available to their customers from 2008 onwards as additional services – that means, alongside existing national payment instruments.

The availability of the pan-European payment instruments, from 2008 onwards, for national transactions as well marks the start of a new era for citizens. It means that the European banking sector meets the political expectations of both the European Commission and the European Central Bank.

We are, however, firmly in favour of leaving migration beyond 2010 – that is, the transition to full replacement of national payment systems – to the market. Such a complex process, with its far-reaching economic effects, should be driven by the market and not simply dictated by legislators. At the same time, it should be remembered

that not only European banks but also corporate customers face heavy investment, which will have to pay off within a reasonable period of time.

The key to the success of the Single Euro Payments Area will ultimately be customer demand for the new SEPA payment instruments. So the new payment instruments must not be less efficient and attractive than existing national instruments.

The new instruments may in fact have to be more attractive so that customers who make no, or hardly any, cross-border payments today will be ready to accept and use them.

Ladies and gentlemen, in terms of the time and money invested, the SEPA project is as big as – if not far bigger than – the single currency project, since it affects all the national payment structures of the EU's member states. But creating the conditions for SEPA is something the European banking sector cannot manage on its own. A key factor in the success of this project is – besides demand – close cooperation with the political institutions, particularly the European Commission and the European Central Bank.

The Commission has to create the legal conditions so that the SEPA instruments can be used EU-wide from 2008 onwards on a binding basis for all concerned. We therefore support the Commission's initiative to create a uniform legal framework for competitive payment services in the European Union. And, with the success of the project in mind, we would welcome it if the Commission directive scheduled for September this year were to take into account the comments made by the European banking sector.

Ladies and gentlemen, we fully agree with Commissioner McCreevy when he says that implementing the Single Euro Payments Area can't

be as difficult as landing on the moon, which took about thirty years of preparation.

At the same time, Europe's still highly fragmented payments landscape and its widely differing payment habits mean that drafting sound uniform standards for payments in the EU and developing efficient, inexpensive pan-European payment instruments both take time.

The European banking sector, but also national bodies such as the ZKA in Germany, which is collaborating closely with the IFD's "Euro Payments" Working Group, have set the course for the creation of SEPA through self-regulation.

If we look at the work performed to date, we have every reason to feel confident that the milestones defined in the SEPA roadmap will be implemented just as quickly as other measures in the past.

So we are on the right track, ladies and gentlemen. You can rely on the European banking sector promoting the SEPA project with the required degree of urgency.

Help us – where we need your support – to make the project the success we all want it to be.

Thank you.